Lithium Australia

ACN: 126 129 413
ASX: LIT

Level 1
677 Murray St
West Perth WA 6005

PO Box 1088
West Perth WA 6872

P: +61 (0) 8 6145 0288
F: +61 (0) 8 9475 0847

info@lithium-au.com
lithium-au.com

3 January 2023

Chairman's letter to Shareholders:

Simon Linge commences as CEO

Dear Shareholders

The 2022 calendar year has been a transitional one for Lithium Australia Limited (ASX: LIT) (the **Company**). We started the year as a no liability Company and finished as a limited liability Company, recently updating our classification from exploration to materials. This is driven by the increased focus towards battery materials technology and manufacturing delivered primarily through Battery Recycling (**Envirostream**) and Cathode Materials (**VSPC**).

The renewed priorities for the Company are summarised as:

- Battery Recycling: optimise existing capacity through increased volumes and process flowsheet optimisation, expand national infrastructure and seek international partnerships.
- Cathode Materials: Pursue offtake and joint development partners for lithium ferro phosphate ('LFP') manufacturing.

Over the past six months much progress has been made against the above priorities. We recognise there is more to be done and we welcome Simon Linge as CEO to lead the team as we continue to deliver against these priorities. We also obtained funding to enable delivery against our goals.

In 1926 Henry Ford said, "*Industry owes it to society to conserve materials in every possible way. Not only for the element of cost in the manufactured article, although that is important, but mostly for the conservation of those materials whose production and transportation are laying an increasing burden on society.*"

We believe in the above philosophy and as we strive for a cleaner world, through the electrification of our transportation system and storing electricity generated by renewables, we need to ensure we recycle and reuse our precious resources, including lithium, cobalt, copper, and graphite in our lithium batteries.

Since June 2022, Envirostream has significantly increased collection volumes with the notable achievements of securing a minimum 250 tonnes of lithium-ion batteries from LG Energy Solution and signing Battery World as a collection partner - similar to prior agreements with Bunnings Warehouse and Officeworks. Higher sale prices have been achieved for mixed metal dust ('MMD') through the diversification of customers. Envirostream is now working on continuous improvements to operating processes to enhance system efficiencies ahead of further expected volumes. In parallel, a national infrastructure expansion plan has been initiated.

As we work towards a greener and cleaner planet, we must consider other key factors including the social aspects of the supply chain. The global battery industry continues to explore new lithium battery chemistries to address these issues, such as cobalt free chemistries to eliminate the DRC supply chain dominance. Over the past few years, we have seen the emergence of the lithium ferro phosphate battery chemistry, or LFP. This battery chemistry has many advantages over other early mover chemistries such as NCM (nickel cobalt manganese) including safety risks due to thermal runaway, cost of manufacturing and the social benefits of supply chains away from cobalt.

At VSPC, over the same period, samples of LFP and lithium manganese ferro phosphate (‘LMFP’) have been provided to third parties internationally to facilitate the advancement of potential commercial and joint development partnerships. The pre-qualification pilot plant engineering study was completed with support from principal engineer, Lycopodium.

A placement of approximately A$12 million was achieved in August 2022 and, where value is available, we will take the opportunity to liquidate non-core assets such as the recent disposal of the Greenbushes South Project to Galan Lithium (ASX: GLN) which included A$3 million in cash and shares. We are now well funded with a drive to maintain working capital reserves and liquidate Company assets whilst maintaining our lithium rights.

Continuing on the transition theme 2022 saw the retirement of Managing Director, Adrian Griffin, in May 2022 and the appointment of Simon Linge as Chief Executive Officer. Simon officially started with Lithium Australia on 1 January 2023 but has been working in the background to assist and set plans for early 2023 and beyond. Discussions and interactions with Simon over the past six months have highlighted his belief in the Company’s priorities, and the understanding of the importance of the Company's activities as they relate to the global energy transition. We look forward to Simon taking the Company forward and welcome him as CEO.

Simon Linge

Chief Executive Officer

Mobile +61 (0) 438 721 280

Simon.linge@lithium-au.com

George Bauk

Non-Executive Chairman

+61 (0) 408 931 746

George@totode.com.au

Forward-looking statements

This announcement contains forward-looking statements. Forward-looking statements are subject to a variety of risks and uncertainties that it is beyond the Company's ability to control or predict and which could cause actual events or results to differ materially from those anticipated in such forward-looking statements.

About Lithium Australia

Lithium Australia (ASX:LIT) is at the forefront of advanced materials development to ensure an ethical and sustainable future for the global battery industry. Lithium Australia is achieving this via its business divisions:

Envirostream (100%-owned LIT subsidiary): Envirostream, which is leading Australia's battery recycling industry, is at the cutting edge of delivering safe and innovative management solutions to one of the Australian waste industry's biggest (and getting bigger) challenges – battery disposal.

Its state-of-the-art Victorian-based battery processing facilities are providing a sustainable solution by collecting, sorting and processing critical battery metals from all types of spent batteries to power the batteries of tomorrow. Envirostream's Victorian facility is currently the only facility in Australia that recycles lithium batteries.

With battery recycling partnerships alongside some of Australia's leading brands (including Bunnings Warehouse, LG Energy Solution, Officeworks and Battery World), Envirostream benefits from the Australian government-backed battery recycling scheme which is providing rebates across collection, sorting, and processing of batteries. These combined provide the platform for national expansion.

VSPC (100%-owned LIT subsidiary): With over 20 years' experience, VSPC develops leading-edge materials for e-mobility and energy storage applications and, ultimately, a zero-carbon economy. Its patents cover the production of advanced powders for next generation lithium-ion batteries, especially lithium ferro phosphate ('LFP').

Currently, demand for LFP represents more than half the global market for lithium-ion battery materials. The Company is one of only a few entities outside of China with the technical expertise to manufacture LFP powder of the highest quality to meet those burgeoning market pressures.

VSPC is now on a clear path to production. With a Research & Development (R&D) facility (pilot plant) located in Queensland, a Definitive Feasibility Study ('DFS') for an initial 10,000tpa LFP manufacturing facility is well underway, and with customer offtake discussions advancing in parallel, VSPC is positioning for its first commercial footprint.